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INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES

Implementation of the least developed countries programme

Progress report by the Director-General

Summary

Reports on activities approved or under implementation in the least developed countries during the period 1 September 1995 to 31 March 1996.

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Abbreviations

CAFRAD	African Training and Research Centre in Administration for Development
CFC	chlorofluorocarbon
COMESA	Common Market for Eastern and Southern Africa
FDI	foreign direct investment
IDDA	Industrial Development Decade for Africa
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IPS	Investment Promotion Service
LDC	least developed country
NGO	non-governmental organization
NISP	National Industrial Statistics Programme
SADC	Southern African Development Community
SME	small and medium enterprise
UCD	UNIDO Country Director
UND	UNIDO National Director
UNDP	United Nations Development Programme

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Introduction

1. The Third Ministerial Symposium on the Industrialization of the Least Developed Countries, held in Vienna from 30 November to 8 December 1995, adopted detailed conclusions and recommendations on the industrialization of the least developed countries (LDCs). In its resolution GC.6/Res.8, the General Conference took note of those conclusions and recommendations, which are contained in annex I to the resolution. In the operative paragraphs of the resolution, the priority accorded by Member States to the industrialization of the LDCs is reflected. The present document is submitted in compliance with paragraph 3 (c) of the resolution, in which the Director-General is requested to give full support to the activities of the LDC programme and to provide progress reports on its implementation.

I. PRIORITY AREAS

2. The present report updates and supplements information provided in previous reports on the subject, the most recent of which was contained in document GC.6/20 dated 22 September 1995. It therefore covers only activities and projects that were approved and those for which implementation commenced during the period 1 September 1995 to 31 March 1996 in the following cross- and subsectoral priority areas.

A. Support to capacity-building

3. It is widely recognized that the reason for the limited flow of foreign direct investment (FDI) to and mobilization of local financial resources in the LDCs lies, *inter alia*, in the lack of the requisite institutional infrastructure to establish an enabling environment for increased investment in the industrial sector. For that reason UNIDO accords high priority to programmes and projects aimed at assisting the LDCs in building up their national capacities. For instance, in cooperation with ILO and the International Trade Centre UNCTAD/GATT, UNIDO is implementing a project in Malawi to assist the Ministry of Industry in formulating a national trade and industry policy.

4. A project in Yemen aimed at developing free zones will support the Government in creating a conducive environment for investment promotion. It is planned to strengthen the capacity of the Yemen Free Zone Public Authority, in particular the administration of the Aden Free Zone, and to establish an export processing zone in Aden.

5. In Cambodia, a UNIDO project is focused on the development of industrial estates/zones and on the introduction of the UNIDO National Industrial Statistics Programme (NISP). The industrial estates/zones project is geared towards providing advisory services to the Government in the formulation of requisite legislation and regulations for the development of industrial estates/zones. Through the NISP project, UNIDO will install a fully computerized industrial information system, including the equipment and training to: (a) collect industrial statistics in line with international standards; (b) validate and check this data for consistency; and (c) process the data to meaningful economic indicators, suitable for use as a basis for industrial policy-making.

B. Investment promotion

6. As a further attempt to support the LDCs in attracting foreign investment and mobilizing local resources, UNIDO is pursuing integrated programmes through its specific investment promotion activities which include also the organization of international investors forums in or for the concerned LDC(s). In this context UNIDO organized, as a major part of a regional investment programme, an investment forum for four selected Member States of COMESA (Eritrea, Ethiopia, Kenya and Uganda, three of which are LDCs) from 28 November to 1 December 1995 at Kampala, Uganda. A total of 77 investment projects in the three LDCs were promoted with potential foreign investors.

7. In response to the requests made during the mission of the Director-General to South Africa in October 1995, UNIDO formulated an investment promotion programme for selected SADC countries (Lesotho, Mozambique, South Africa, Swaziland and Zimbabwe, of which two are LDCs). The programme will support the efforts of the selected countries through, *inter alia*, organization of an investment forum to mobilize investment resources. Subject to approval of the programme under IDDA resources, the forum is planned to be held at Johannesburg, South Africa, in November 1996.

8. In the United Republic of Tanzania, an investment promotion programme for the mainland has been developed for funding under UNDP resources. The programme aims at strengthening capacity within the Ministry of Industry, the Investment Promotion Centre and other private and public sector institutions to enable them to identify, formulate and promote investment projects. The programme includes an investment forum to take place at Dar-es-Salaam in November 1996.

9. As a follow-up to the UNDP/UNIDO investment forum for Zanzibar in April 1995, a large-scale investment programme has been approved under UNDP resources. It aims at strengthening investment and export promotion institutions, such as the Zanzibar Investment Promotion Agency and Zanzibar Free Economic Authority, to enable them to assist and guide local as well as foreign investors. The programme also features

a specific training component on environment and a specific emphasis on the gender dimension.

10. As a follow-up to the first round table of African investment promotion centres which was organized by UNIDO at Bulawayo, Zimbabwe (September 1992), a second round table is proposed for September 1996 at Johannesburg. The purpose is to bring together investment promotion agencies or equivalent institutions from a large number of African countries with the existing network of the UNIDO IPS offices in order to adopt a uniform system for the identification, formulation and screening of investment projects. It will also review various aspects of integrating the local investment promotion agencies with UNIDO Headquarters and IPS offices. Of 33 countries to be invited, 19 are West, Central, South and East African LDCs.

C. Human resources development, including women entrepreneurs

11. Training programmes with emphasis on women entrepreneurs continued to receive high priority. UNIDO is currently implementing a project jointly with IFAD on food processing for rural women in Burkina Faso and Mali, under which 26 multi-functional platforms are already installed in both countries. The platforms consist of a diesel engine for power generation as well as additional equipment such as welding machines, straw cutters, battery chargers and water pumps. The services provided to the community through the renting of this equipment allow a more rational use of energy generated by the engine and ensure a higher income sufficient to repay loans and credits. A follow-up proposal to the ongoing project has been submitted to IFAD for consideration. The proposed follow-up project aims at establishing local capacities through further training of all actors (women, NGOs, artisans) to ensure the sustainability of the ongoing pilot phase. A letter of agreement covering this proposed cooperation between UNIDO and IFAD is being finalized.

12. Under the preparatory phase of the training programme for women entrepreneurs in the food-processing sector in Gambia, two study tours for Gambian women entrepreneurs were carried out in India and Israel in November and December 1995. At the same time a draft proposal for the implementation phase was formulated and submitted for consideration by local authorities and the UNDP field office in Gambia. In addition, a mission was carried out in November 1995 to assess the impact of previous UNIDO training programmes in the field of fruit and vegetable processing industries and to identify new training needs in that country.

13. Within the ongoing regional training programme for women entrepreneurs in the food-processing sector in Africa, a needs assessment mission was launched in February 1996 to Comoros and Madagascar. The objective was to determine the training needs of women entrepreneurs in that sector as well as to assess the training institutions in those countries. A large-scale project proposal is being finalized, based on the mission's findings and recommendations.

14. Based on a survey undertaken in selected African countries (Burkina Faso, Côte d'Ivoire, Eritrea, Ethiopia, Kenya, Madagascar, Morocco, Malawi, Senegal, United Republic of Tanzania and Zimbabwe, of which six are LDCs), UNIDO formulated a high impact programme for women's entrepreneurship development. The programme aims at alleviating gender-specific imbalances that have a negative impact on women's performance as well as creating an enabling environment for the improvement and growth of women's industrial enterprises. The first step of the programme for four African countries (including Burkina Faso) is currently under preparation.

15. An additional needs assessment mission was fielded to Ethiopia in November 1995. While focusing on the agro-industries sector, the mission took a wider approach to women's entrepreneurship development in this subsector and prepared a broader integrated programme including several components that cover, *inter alia*, training needs of women entrepreneurs, quality improvement and capacity-building in food processing.

16. Action has been initiated to launch a preparatory mission to Praia, Cape Verde, with a view to discussing with the Government the UNIDO concept for establishment of linkages between industry and higher education. Furthermore, the mission will explore the possibility of establishing an institutional support system consisting of liaison units between suppliers of technology and entrepreneurs, particularly women, in small enterprises.

17. Pursuant to General Conference resolution GC.6/Res.4 (para. (d)), a draft project proposal has been prepared for IDDA financing to strengthen the institutional capacity of the African Training and Research Centre in Administration for Development (CAFRAD). This project will support CAFRAD in organizing training programmes for entrepreneurs and consultants in French-speaking LDCs in agro-industrial SME management.

D. Industrial development in rural areas and small- and medium-scale enterprises

18. Acknowledging the pivotal role of the informal sector, micro, small and medium enterprises in LDCs, and in line with UNIDO thematic priorities, high priority was given to the development and implementation of specific programmes for strengthening SMEs and rural

industries in those countries. A component of a larger private sector development programme in Zambia is being implemented with UNIDO assistance in support of micro- and small enterprises at the village level. This component aims at improving growth prospects of such enterprises through programmes on business and skill development for male and female entrepreneurs. It further aims at establishing a support network for training, advisory services and micro loans.

19. Technical cooperation was provided in Togo through cross-sectoral UNDP-funded projects, supporting the Government in promoting and coordinating foreign aid relating to development of rural industrial programmes and poverty alleviation.

20. Advice is being provided to Bhutan on the development potential of the building materials industry. The project assists the Government and private sector entrepreneurs in deciding on investment programmes and in developing support projects related to the production of construction and building materials for the local construction industry.

21. In the context of the feasibility study carried out by UNIDO on creation and operation of a national tissuthèque and the development of traditional textile industry in West African LDCs, a manual is under preparation that will serve as a detailed reference for micro-entrepreneurs for the development of that industry. In addition, a promotional publication on the traditional textile industry in West African LDCs has been prepared for publication in the near future.

E. Private sector development

22. In line with the recommendations of the Third Ministerial Symposium and taking into account the increasingly important role of a dynamic private sector for industrial development, the LDCs were supported in their private sector development policies and strategies. Two programmes to strengthen private sector industry were initiated in Benin and Yemen. In Benin, UNIDO is implementing, in association with ILO, a national programme that covers several components, such as the development of women entrepreneurs, establishment of an information system, as well as development of free zones. The support programme in Yemen aims at assisting the Government in the design of a privatization strategy with particular emphasis on an action-oriented pilot programme to privatize selected public enterprises. Enterprises will be selected on the basis of their impact on the economy of the country, their likelihood of success in a market-oriented environment and their overall viability. Special consideration will be given to the development of a social safety net aimed at mitigating the potential negative social impact of privatization, strengthening the institutional framework and proposing training needs for employees, managers and administrators who will be expected to perform within a market economy environment.

23. For the Government of Ethiopia, a programme is being implemented for private sector development in the area of leather footwear manufacturing. This programme aims at improving the quality of products of selected footwear manufacturing private enterprises, thereby enhancing the export earnings of the country.

24. In Mozambique, UNIDO is implementing a project on private sector industrial development that is geared towards reviewing the legal framework of government policies and strategies related to the development of the private sector. Analysis of recent reports and ongoing programmes and projects executed by national and foreign institutions is also included in the project, which is expected to yield a survey of recently privatized industrial enterprises and an analysis of technological and marketing problems. The project document was formulated in consultation with the Government, business associations, interested donors, the World Bank and other entities.

25. In Sierra Leone, a consultative mechanism is being introduced in the private sector that aims at developing interactive industrial policy and strategy formulation. The UNIDO project will result in a proposed institutional and operational framework based on identified sectoral priorities.

F. Environment and energy

26. A total of six projects that address specifically this UNIDO thematic priority are being carried out in Ethiopia, Mozambique, Sudan and the United Republic of Tanzania. These projects focus mainly on pollution control, sustainability and cleaner technology. The phasing out of chlorofluorcarbons (CFCs) is a key subject in these projects. In Mozambique, UNIDO will review government environment policies and strategies that are aimed at achieving pro-active and cost-effective environment management.

II. FUTURE OUTLOOK

27. In order to ensure that industrialization of the least developed countries receives fundamental priority among various UNIDO programmes in future, new approaches and special initiatives will be developed. These will aim, *inter alia*, at: improving production capabilities of LDCs in selected industrial subsectors; building up institutional capacities to enhance FDI flows and mobilization of local resources; and initiating human resources development programmes with special emphasis on women entrepreneurs. These initiatives and special programmes are being elaborated for the 1996-1997 biennium within

the framework of the seven thematic priorities identified in document GC.6/30.

28. Within thematic priority 7, which deals exclusively with African and least developed countries, particular attention will be given to promoting further the industrialization of LDCs through a more focused UNIDO programme on linkages between industry and agriculture. In this context emphasis will be placed, *inter alia*, on activities related to the agro-industrial production system in a number of critical areas.

29. The first step in that direction has already been taken through elaboration of a high impact programme on application of quality principles to the food-processing sector in seven sub-Saharan countries in East and South Africa (Ethiopia, Kenya, Malawi, Mozambique, Uganda, Zambia, Zimbabwe, of which five are LDCs). The programme will have as an immediate objective the rapid and measurable improvement of food safety at the enterprise level. The programme will use new methodologies to ensure both sustainable increases in enterprise performance and greater synergy between local counterparts and food processors.

30. On the basis of and complementary to this high impact programme, a preparatory assistance project has been formulated that aims at food safety in West African as well as Asian LDCs. Subject to its approval, this preparatory assistance will lead to the elaboration of detailed technical cooperation programmes to build up local and regional capacity for technical support to enterprises willing to improve their quality and productivity in food processing.

31. Based on case studies in seven LDCs in West, Central and East Africa, UNIDO developed a high impact programme introducing new technologies for abatement of global mercury pollution. The objective is to replace mercury amalgamation with new technology while improving miners' income through more efficient recovery. The programme also includes policy advice on the regulation of artisanal gold mining, with due consideration of gender issues.

32. In order to ensure sustainability of UNIDO special programmes at the field level, every effort will be made to maintain and strengthen the existing field coverage in LDCs. At present eight LDCs are covered by a UCD or UND with offices in those countries, 28 by visiting UCDs from other duty stations and 12 from Headquarters. In response to General Conference resolution GC.6/Res.3 and subject to availability of resources, it is intended to expand LDC field coverage within the UCD programme.

33. Another ministerial symposium is planned to review proposed UNIDO programmes for LDCs and to make recommendations for submission to the seventh session of the General Conference. The Symposium will be arranged in conjunction with the seventh session of the Conference in December 1997.

III. ACTION REQUIRED OF THE BOARD

34. The Board may wish to take note of the information contained in the present document.